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RUEHGV/USMISSION GENEVA 0921  
RUEHVEN/USMISSION USOSCE 2930  
RUCNDT/USMISSION USUN NEW YORK 2315  
RUEHNO/USMISSION USNATO BRUSSELS BE  
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RUEHLMC/MILLENNIUM CHALLENGE CORP  
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL

C O N F I D E N T I A L SECTION 01 OF 02 BISHKEK 000557

SIPDIS

DEPT FOR SCA/CEN (GEHRENBECK), EEB  
TREASURY FOR FINCEN  
KYIV PASS TO LANIER

E.O. 12958: DECL: 05/30/2018

TAGS: [EFIN](#) [ECON](#) [PGOV](#) [KG](#)

SUBJECT: EBRD FEEDBACK REFLECTS POLITICIZED KYRGYZ BANKING  
ENVIRONMENT

REF: A. 07 BISHKEK 1155

[1](#)B. BISHKEK 086

[1](#)C. BISHKEK 194

[1](#)D. BISHKEK 385

[1](#)E. BISHKEK 386

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Classified By: Amb. Marie L. Yovanovitch, Reason 1.4 (b) and (d).

[1](#)1. (C) Summary: The Kyrgyz central bank has postponed for six months any decision on ProCredit Bank's license application. ProCredit Bank, which operates in 22 countries, has EBRD backing for its plan to open in Kyrgyzstan. The EBRD resident representative told us that the central bank provided "trivial" excuses for the delay, and ProCredit staff reportedly believe that the postponement arose from political considerations and was not based on the merits of the application. The EBRD representative also indicated that the EBRD would turn down a financing request from the Kyrgyzstan-based Asia Universal Bank. During the recent EBRD general meeting in Kyiv, he noted that EBRD officials highlighted Kyrgyz investment climate difficulties to the Kyrgyz delegation. The ProCredit delay is disappointing, but it underscores questions about the growing intersection of banking and Bakiyev family interests in the Kyrgyz financial sector. End summary.

Delaying Tactics on ProCredit  
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[1](#)2. (C) Local European Bank for Reconstruction and Development (EBRD) representative Kenji Nakazawa (please protect) advised Emboff May 23 that the National Bank of the Kyrgyz Republic (NBKR ) the Kyrgyz central bank) had postponed for six months a decision regarding ProCredit Bank's license application. (Note: The NBKR issues commercial banking licenses. End note.) ProCredit, which operates independently in 22 countries and focuses on small-scale lending, has EBRD backing for its plan to

establish operations in the Kyrgyz Republic. Nakazawa told Emboff the NBKR provided "trivial" excuses regarding technical and management issues before citing a recently passed Kyrgyz law requiring new banks to be open stock companies. The NBKR explanation indicated that another six months would be needed to review ProCredit's application in conjunction with this law.

¶3. (C) ProCredit personnel reportedly told Nakazawa that NBKR staff advised them "not to be difficult as there is little the NBKR can do; this is a political decision." This comment mirrors feedback (ref D), which Mercy Corps-affiliated staff provided to Embassy in early April about senior political interference in NBKR decision-making. Nakazawa added that ProCredit personnel were advised to consider instead purchasing a (bankrupt) local bank through which President Bakiyev's son Maxim could then gain a representative interest in the ProCredit operation. Nakazawa reasoned that the local bank purchase suggestion proved that there was nothing technically wrong with ProCredit's license application. He mentioned that ProCredit would be "knocking on lots of doors" to make its case to Kyrgyz government officials, but believed that this approach might not presently aid ProCredit's license application. Given that the EBRD Board has already backed ProCredit's Kyrgyz plans, Nakazawa noted that Kyrgyz officials should be aware that "blocking" the ProCredit project would become "public."

#### Expressing Views on AUB

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¶4. (C) As Nakazawa had previously informed Embassy that an Asia Universal Bank (AUB) - a Kyrgyz bank) request for EBRD

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financial support had been forwarded to EBRD's London headquarters, Nakazawa reflected on AUB's previous questionable activities and reasoned that insufficient time had passed to be sure that AUB's efforts to change had been successful. (Note: Nakazawa knew of AUB's similar request to the U.S. Overseas Private Investment Corporation. See ref E for more background on AUB's past. End note.) He intimated that EBRD would turn down AUB's request, using this rationale. (Note: AUB is rumored to be linked with President Bakiyev's son, Maxim. End note.)

#### Kyrgyz Exposure

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¶5. (C) Having just returned from the EBRD's annual meeting in Kyiv, Nakazawa said that the EBRD's bilateral meetings with Kyrgyz representative (and Minister of Economic Development and Trade) Akylbek Japarov emphasized the need to improve the investment climate for broader EBRD lending in the Kyrgyz Republic. Nakazawa viewed Kyiv as an excellent venue for Japarov to see the rapid transformation that accompanied significant EBRD and international financial support for Ukraine. Despite 200 million euros of total EBRD lending since the EBRD opened its operations in the Kyrgyz Republic, the EBRD is currently having difficulty locating suitable projects and only lent firms operating in the Kyrgyz Republic 12 million euros in 2007. Nakazawa said Japarov was advised that the local investment climate made it difficult for EBRD to provide much more lending.

¶6. (SBU) Nakazawa told Emboff that the EBRD has approved only a handful of requests in 2008 in the Kyrgyz Republic. Namely, he identified a Swiss-backed cheese factory, a travertine quarry, a residential construction project and renewed lending to previous recipients.

#### Comment

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¶7. (C) The NBKR may view the six-month delay on the ProCredit bank license application as the best outcome

possible )- it preserves current conditions for the expanding Bakiyev-linked banking enterprise network while staving off stronger EBRD complaints about a negative decision on Pro Credit. As we engage with Kyrgyz officials on business and investment issues, we will advise them that we are monitoring the ProCredit license application with the expectation that uniform and fair application of banking regulatory procedures will be applied. As the apparently politically-motivated NBKR delay underscores questions about the growing intersection of banking and Bakiyev family interests, Embassy will continue to track developments.

YOVANOVITCH